

\$52,575,000*
REFUNDING CERTIFICATES OF PARTICIPATION
(EAST BAY STATE BUILDING)
SERIES 1997 A
Evidencing and Representing a Proportionate Undivided
Interest of the Owner Thereof
in Base Rental Payments to Be Made
by the
State of California
Department of Transportation
to the
East Bay State Building Authority

INTRODUCTION

This introduction contains only a brief summary of certain of the terms of the 1997 Certificates being offered and a brief description of this Official Statement. A full review should be made of the entire Official Statement including the inside cover page and the Appendices. All statements contained in this introduction are qualified in their entirety by reference to the entire Official Statement. References to, and summaries of, provisions of the Constitution and laws of the State of California or any other documents referred to herein do not purport to be complete and such references are qualified in their entirety by reference to the complete provisions.

General; Authorization; Purposes

The purpose of this Official Statement, which includes the cover page, Table of Contents and Appendices, is to provide certain information with respect to the original execution, delivery and sale of the Refunding Certificates of Participation (East Bay State Building) Series 1997A (the "1997 Certificates"). The 1997 Certificates represent the proportionate undivided interest of the owners thereof (the "Owners") in Base Rental Payments to be made by the California Department of Transportation (the "Department" or "Caltrans") to the East Bay State Building Authority (the "Authority"), pursuant to a Facility Lease (as defined herein). See "SECURITY AND SOURCE OF PAYMENT FOR THE 1997 CERTIFICATES" and "APPENDIX C -- SUMMARY OF CERTAIN PROVISIONS OF LEGAL DOCUMENTS."

The 1997 Certificates are being executed and delivered pursuant to the authority contained in Sections 6500 and following, particularly Section 6517.6 and Section 14015 of the California Government Code, and a Trust Agreement, dated as of October 1, 1997 (the "Trust Agreement"), entered into by the Authority, the Department and the Treasurer of the State of California (the "State Treasurer"), as trustee (the "Trustee"). Pursuant to an Assignment Agreement, dated as of September 1, 1991 (the "Original Assignment Agreement") by and among the Authority and the State Treasurer, as trustee, and a First Amendment to Assignment Agreement, dated as of October 1, 1997 (collectively, with the Original Assignment Agreement,

* Preliminary, subject to change.

the "Assignment Agreement"), between the Authority and the Trustee, the Authority has assigned to the Trustee, for the benefit of the Owners and the owners of the Series 1991 Certificates, its rights and remedies under the Amendment to Facility Lease, including its rights to amounts payable by the Department thereunder.

The proceeds of the 1997 Certificates will be used, together with other lawfully available moneys, (a) to establish an irrevocable escrow to prepay and defease \$_____ aggregate principal amount represented by Certificates of Participation (East Bay State Building) Series 1991A (the "Series 1991 Certificates" and such prepaid Series 1991 Certificates being referred to herein as the "Refunded Series 1991 Certificates") previously executed and delivered pursuant to a Trust Agreement among the State, the Department and the Authority, dated as of September 1, 1991 (the "1991 Trust Agreement") for the purpose of acquiring and constructing the East Bay State Building, and certain real property therefor (the "Facility"), located in Oakland, California, (b) to fund a reserve fund (the "Reserve Fund"), and (c) to pay costs incidental to the execution and delivery of the 1997 Certificates. See "PLAN OF REFUNDING" and "APPENDIX C -- SUMMARY OF CERTAIN PROVISIONS OF LEGAL DOCUMENTS."

Security and Source of Payment for the 1997 Certificates

General. The Department will enter into a First Amendment to Facility Lease (the "Amendment to Facility Lease"), amending an original facility lease (the "1991A Facility Lease", and together with the Amendment to Facility Lease, the "Facility Lease") with the Authority pursuant to which the Department agrees to make Base Rental Payments for the beneficial use and occupancy of the Facility, calculated to be sufficient to pay the principal and interest with respect to the 1997 Certificates (the "1997 Base Rental Payments") and the Series 1991 Certificates to remain outstanding after the execution and delivery of the 1997 Certificates (the "Remaining Series 1991 Certificates")(the "1991A Base Rental Payments," which together with the 1997 Base Rental Payments are referred to herein as the "Base Rental Payments"). After the refunding is accomplished, principal, prepayment premium, if any, and interest with respect to the Refunded Series 1991 Certificates will be payable from the escrow fund established with the proceeds of the 1997 Certificates and any other funds deposited into such escrow fund. The Department has beneficial use and occupancy of the Facility.

Base Rental Payments under the Facility Lease will be payable by the Department from moneys appropriated by the State Legislature from any source of legally available funds. The Department anticipates that amounts in the State Highway Account will be the primary source of Base Rental Payments. See "THE DEPARTMENT'S BUDGET."

Reserve Fund. The Trust Agreement establishes a reserve fund (the "Reserve Fund") for the payment of the 1997 Certificates. Amounts in the Reserve Fund are to be used only for those purposes specified in the Trust Agreement. See "SECURITY AND SOURCE OF PAYMENT - Reserve Fund."

When none of the Series 1991 Certificates are outstanding, the Trustee shall transfer to the Reserve Fund from the reserve fund established pursuant to the 1991 Trust Agreement, an amount which, when added to the amount on deposit in the Reserve Fund on such date, will

cause the amount on deposit in the Reserve Fund to equal the Reserve Fund Requirement (defined below) on such date.

The obligation to fund the Reserve Fund may be satisfied through cash or a letter of credit, surety bond or insurance policy meeting the requirements therefor set forth in the Trust Agreement, or a combination thereof in an aggregate amount equal to the Reserve Fund Requirement. See "APPENDIX C -- SUMMARY OF CERTAIN PROVISIONS OF LEGAL DOCUMENTS."

Abatement. The Base Rental Payments shall be abated in whole or in part during any period in which, by reason of any damage or destruction or condemnation, there is a substantial interference with the use and occupancy of all or a portion of the Facility by the Department. Such abatement shall commence with such damage or destruction or condemnation and end when use and occupancy is restored. See "SECURITY AND SOURCE OF PAYMENT FOR THE 1997 CERTIFICATES -- Abatement."

Insurance. The Facility Lease requires the Department to maintain fire, lightning and extended coverage insurance on the Facility to cover certain losses as a result of hazards. In addition, the Department is required to maintain or cause to be maintained rental interruption or use and occupancy insurance for the Facility to cover loss of the use of the Facility as a result of the hazards described in the Facility Lease to cover not less than 24 consecutive months' Base Rental Payments. See "SECURITY AND SOURCE OF PAYMENT -- Insurance." See also "Subordinate Interest in Certain Moneys" below.

Subordinate Interest in Certain Moneys. The Remaining Series 1991 Certificates have a priority interest in any eminent domain or insurance proceeds relating to the Facility. The 1997 Certificates shall only be entitled to be paid from such insurance or eminent domain proceeds if, and to the extent, that any such proceeds remain after payment of the Remaining Series 1991 Certificates.

Prepayment

The 1997 Certificates are subject to optional, mandatory and extraordinary prepayment prior to their respective stated Certificate Payment Dates. See "THE 1997 CERTIFICATES - Prepayment Provisions."

Certain Information Related to this Official Statement

The descriptions herein of the Trust Agreement, the Facility Lease and other agreements are qualified in their entirety by reference to such documents, and the descriptions herein of the 1997 Certificates are qualified in their entirety by the form thereof and the information with respect thereto included in the aforesaid documents. See "APPENDIX C -- SUMMARY OF CERTAIN PROVISIONS OF LEGAL DOCUMENTS -- The Trust Agreement," for a brief summary of the rights and duties of the Department, the Authority, the rights and remedies of the Trustee and the Holders upon an event of default, provisions relating to amendments to the Trust Agreement and procedures for defeasance of the 1997 Certificates. Copies of all

documents may be obtained from Trust Services Division, Office of the State Treasurer, State of California, 915 Capitol Mall, Room 280, Sacramento, CA 95814.

All capitalized terms used in this Official Statement and not otherwise defined herein have the same meanings as in the Trust Agreement and the Facility Lease. See "APPENDIX C -- SUMMARY OF CERTAIN PROVISIONS OF LEGAL DOCUMENTS -- The Trust Agreement -- Definitions" for definitions of certain words and terms used but not otherwise defined herein.

Certain information concerning the State's finances, economy and indebtedness is contained in Appendix A hereto.

The information and expressions of opinion herein speak only as of their date and are subject to change without notice. Neither the delivery of this Official Statement (including the Appendices) nor any sale made hereunder nor any future uses of this Official Statement shall, under any circumstances, create any implication that there has been no change in the affairs of the State, the Authority or the Department since the date hereof.

All financial and other information presented in this Official Statement has been provided by the State, the Authority and the Department from their records, except for information expressly attributed to other sources. The presentation of information, including table of receipts from taxes and other revenues, is intended to show recent historic information and is not intended to indicate future or continuing trends in the financial or other affairs of the State, the Authority and the Department. No representation is made that past experience, as it might be shown by such financial and other information, will necessarily continue or be repeated in the future.

Continuing Disclosure

The Department and the State Treasurer, on behalf of the State, will agree to provide annually certain financial information and operating data relating to the State and the Department by not later than April 1 of each year in which any 1997 Certificates are outstanding, (the "Annual Report"), commencing with the report for the 1997-98 Fiscal Year, and to provide notices of the occurrence of certain other enumerated events if material. The Annual Report will be filed by the State Treasurer on behalf of the State with each Nationally Recognized Municipal Securities Information Repository certified by the Securities and Exchange Commission and the State Repository, if any (the "Repositories"), and may also be obtained from the State Treasurer. The notices of material events will be timely filed by the State Treasurer on behalf of the State with the Municipal Securities Rulemaking Board and the Repositories. The specific nature of the information to be contained in the Annual Report or the notices of material events and certain other terms of the continuing disclosure obligation are summarized in APPENDIX C -- "SUMMARY OF CERTAIN PROVISIONS OF LEGAL DOCUMENTS -- The Continuing Disclosure Agreement."

Additional Information

Questions regarding this Official Statement and the execution and delivery of these securities may be addressed to the office of the Honorable Matt Fong, Treasurer of the State of California, P.O. Box 942809, Sacramento, California 94209-0001, telephone (916) 653-3451.

THE 1997 CERTIFICATES

General

The 1997 Certificates will be registered in the name of a nominee of DTC, which will act as securities depository for the 1997 Certificates. Beneficial interests in the 1997 Certificates may be purchased in book-entry form only, in the principal amounts set forth below. See "APPENDIX B -- BOOK-ENTRY ONLY SYSTEM".

The 1997 Certificates will be dated as of October 1, 1997. Beneficial interests in the 1997 Certificates may be purchased in the principal amount of \$5,000 or any integral multiple thereof. The 1997 Certificates will evidence interest payable semiannually on March 1 and September 1 of each year, commencing March 1, 1998 (each an "Interest Payment Date"). The 1997 Certificates will mature (subject to the rights of prior prepayment discussed below) on March 1 in each of the years and in the respective principal amounts, and will evidence interest at the rates (calculated on the basis of a 360-day year composed of twelve 30-day months), as shown on the inside cover page of this Official Statement.

Prepayment Provisions

Optional Prepayment.

The 1997 Certificates payable as to principal on and prior to March 1, ____ are not subject to optional prepayment, except as described below under "Extraordinary Prepayment." The 1997 Certificates payable as to principal after March 1, ____ are subject to prepayment prior to their stated Certificate Payments Dates on and after March 1, ____, in the event the Department elects to prepay its 1997 Base Rental Payments under the Facility Lease, either in whole on any date or in part on any Interest Payment Date, at the prices set forth below (expressed as a percentage of the principal amount represented by such 1997 Certificates to be prepaid) plus accrued interest represented thereby to the date fixed for prepayment:

| Prepayment Dates (<u>dates inclusive</u>) | Prepayment <u>Prices</u> |
|--|-----------------------------|
| March 1, ____ to February 28, ____ | |
| March 1, ____ to February 28, ____ | |
| March 1, ____ to February 28, ____ | |

Mandatory Prepayment

The 1997 Certificates having a Certificate Payment Date of March 1, ____ (the "____ Term Certificates") are also subject to prepayment prior to their Certificate Payment Date, in

part, by lot, from Mandatory Sinking Account Payments deposited in the Sinking Account on any March 1 on or after March 1, ____ at a prepayment price equal to the principal amount to be prepaid, plus accrued interest with respect thereto to the date fixed for prepayment, without premium, from 1997 Base Rental Payments made in amounts sufficient to prepay the respective principal amounts represented by ____ Term Certificates for each of the years shown on the schedule below:

| <u>March 1</u> | <u>Amount</u> |
|----------------|---------------|
| | \$ |

.

Extraordinary Prepayment. The 1997 Certificates are subject to prepayment prior to their respective maturity dates on any date, as a whole or in part, from the proceeds of insurance or eminent domain proceedings received in connection with the Facility and not used to repair or replace the Facility, at a price equal to 100 percent of the principal represented by the 1997 Certificates to be prepaid plus accrued interest with respect thereto to the date fixed for prepayment, without premium. Such prepayment may only be made from the proceeds of insurance or eminent domain proceedings which remain after payment of the Remaining Series 1991 Certificates. See "APPENDIX C -- SUMMARY OF CERTAIN PROVISIONS OF LEGAL DOCUMENTS -- Facility Lease" herein for a description of certain covenants of the Department regarding insurance.

SECURITY AND SOURCE OF PAYMENT FOR THE 1997 CERTIFICATES

General

Each 1997 Certificate represents a proportionate, undivided interest in the 1997 Base Rental Payments to be made by the Department to the Authority. The Authority, pursuant to the Assignment Agreement, will assign its rights and remedies under the Facility Lease (except certain rights to indemnity and reimbursement of expenses) to the Trustee for the benefit of the Owners of the 1997 Certificates, including its right to receive 1997 Base Rental Payments thereunder.

The 1997 Certificates are payable solely from 1997 Base Rental Payments received by the Authority pursuant to the Facility Lease. The Department must pay to the Authority payments specified as Base Rental Payments (which are comprised of the 1997 Base Rental Payments and the 1991A Base Rental Payments) to the extent required under the Facility Lease, which payments are designed to be sufficient, in both time and amount, to pay when due, the annual principal and interest evidenced by the 1997 Certificates and the Remaining Series 1991 Certificates. Additional payments due from the Department to the Authority include amounts

*Final maturity.

sufficient to pay all administrative costs and insurance premiums (the "Additional Rental"). The Department is also responsible for repair and maintenance of the Facility during the term of the Facility Lease. Base Rental Payments and Additional Rental will be paid from any source of legally available funds of the Department. The Department anticipates that amounts in the State Highway Account will be the primary source of Base Rental Payments.

Under the Facility Lease, the Department covenants that so long as the Facility is available for the Department's beneficial use and occupancy, the Department will take such action as may be necessary to include all Base Rental Payments in its annual budget, which Base Rental Payments are scheduled to be in amounts sufficient to pay the principal and interest evidenced by the Certificates due in such year.

THE OBLIGATION OF THE DEPARTMENT TO MAKE BASE RENTAL PAYMENTS UNDER THE FACILITY LEASE IS DEPENDENT UPON AND SUBJECT TO THE DEPARTMENT'S BENEFICIAL USE AND OCCUPANCY OF THE FACILITY. ACCORDINGLY, THE ABILITY OF THE AUTHORITY TO PAY THE PRINCIPAL AND INTEREST REPRESENTED BY THE 1997 CERTIFICATES WILL BE DEPENDENT UPON CONTINUING USE AND OCCUPANCY OF THE FACILITY BY THE DEPARTMENT. THE 1997 CERTIFICATES DO NOT REPRESENT OR CONSTITUTE A DEBT OF THE AUTHORITY, THE STATE OR THE DEPARTMENT WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY LIMITATION OR A PLEDGE OF THE FAITH AND CREDIT OF THE STATE, ANY POLITICAL SUBDIVISION THEREOF, THE DEPARTMENT OR THE AUTHORITY. THE HOLDERS OF THE 1997 CERTIFICATES SHALL HAVE NO RIGHT TO HAVE EXCISES OR TAXES LEVIED FOR THE PAYMENT OF AMOUNTS DUE ON THE 1997 CERTIFICATES. NEITHER THE AUTHORITY NOR THE DEPARTMENT HAS ANY TAXING POWER.

In order to ensure that an amount sufficient for timely payment of the amounts evidenced by the 1997 Certificates, as described above, is available to the Authority and the Trustee when required for such payment, the Department will fund the Reserve Fund, as described below.

Abatement

The Base Rental Payments due with respect to the Facility shall be abated proportionately during any period in which, by reason of any damage or destruction or condemnation, there is substantial interference with the use and occupancy of all or a portion of the Facility by the Department. Such abatement shall continue from the period commencing with such damage or destruction or condemnation and ending when use and occupancy are restored. The Department is required to maintain or cause to be maintained rental interruption or use and occupancy insurance to cover loss, total or partial, of the use of the Facility as a result of any of the hazards covered by hazard insurance in an amount not less than the amount of Base Rental Payments and Additional Rental due under the Facility Lease for any period of 24 consecutive months. Any such insurance policy shall be in a form satisfactory to the Trustee and shall contain a loss payable clause making any loss thereunder payable to the Trustee as its interest may appear. The Facility Lease requires that the Trustee use any proceeds of such insurance to reimburse the Department for any rental previously paid by the Department under the Facility Lease for a period of time during which the payment of 1991A Base Rental Payments under the

Facility Lease is abated, and that any proceeds of such insurance not so used shall be applied, to the extent required, to the payment of the Remaining Series 1991 Certificates. Thereafter, any further proceeds shall be used to reimburse the Department for any rental previously paid by the Department under the Facility Lease for a period of time during which the payment of the 1997 Base Rental Payments under the Facility Lease is abated, and thereafter, to the payment of the 1997 Certificates. See "APPENDIX C -- SUMMARY OF CERTAIN PROVISIONS OF LEGAL DOCUMENTS-- The Facility Lease."

If damage or destruction or eminent domain proceedings with respect to the Facility result in abatement of the 1997 Base Rental Payments and the resulting 1997 Base Rental Payments, if any, together with moneys from rental interruption insurance (in the event of any insured loss due to damage or destruction) and the Reserve Fund are insufficient to make all payments of principal and interest with respect to the 1997 Certificates during the period the Facility is being replaced, repaired or reconstructed, then such payments representing principal and interest may not be made. Under the Facility Lease and the Trust Agreement, no remedy is available to the holders of the 1997 Certificates for nonpayment under such circumstances.

Insurance

In addition to rental interruption insurance described above, the Department is required to maintain or cause to be maintained fire, lightning and extended coverage insurance on the Facility in an amount equal to the lesser of the amount of the Remaining Series 1991 Certificates plus the 1997 Certificates or 100 percent of the then current replacement cost of the Facility (excluding the then value of the land as unimproved and subject to a deductible clause of not to exceed \$500,000 for any one loss). In the event of any damage to or destruction of the Facility as a result of the perils covered by such insurance, the insurance proceeds may be applied, at the option of the Authority, to (i) prepay the Remaining Series 1991 Certificates in whole or in part and thereafter to prepay the 1997 Certificates in whole or in part, or (ii) repair, reconstruct or replace the Facility. The Trust Agreement also requires the Department to maintain earthquake insurance, if available on the open market from reputable insurance companies at a reasonable cost, on the Facility. However, the Department does not currently maintain such earthquake insurance on the Facility due to its determination that such insurance is not available at a reasonable cost from a reputable insurance company. The Department intends to re-evaluate its options in the event such coverage becomes available at a reasonable cost from a reputable insurance company. There is no assurance, however, that earthquake insurance will be available or obtained. See "APPENDIX C -- SUMMARY OF CERTAIN PROVISIONS OF LEGAL DOCUMENTS-The Facility Lease" herein for a more detailed description of certain covenants of the Department regarding insurance.

Remedies on Default

If the Department defaults under the Facility Lease, the Authority may enforce its remedies under the Facility Lease. In general, remedies under the Facility Lease include the right to (i) maintain the Facility Lease in full force and effect and receive all rent from the Department as it becomes due or re-let the Facility, or (ii) terminate the Facility Lease and the Department's right of possession and recover damages recoverable at law. The Trust Agreement

provides that any Owner of 1997 Certificates may by legal action compel the Authority to carry out its duties under the Act and the Facility Lease, including maintaining and enforcing its rights under the Facility Lease. See "APPENDIX C - SUMMARY OF CERTAIN PROVISIONS OF LEGAL DOCUMENTS."

While the Facility Lease provides that the Facility may be re-let following a default, achieving such a remedy may not be practical due to the lack of a replacement lessee or other reasons. Moreover, although acceleration is a remedy provided in the Trust Agreement, the Base Rental payable pursuant to the Facility Lease may not be accelerated. Therefore, the circumstances under which the State Treasurer might declare the principal of and accrued interest on the 1997 Certificates due and payable immediately are limited.

Budgeting for Base Rental Payments

The Department has covenanted in the Facility Lease to include all Base Rental Payments in its annual budget (and that portion of the budget of the State related to the Department) and to make the necessary annual allocations for all such Base Rental Payments. The obligation of the Department to make Base Rental Payments under the Facility Lease constitutes a current expense of the Department, payable from funds of the State lawfully available therefor.

Under the State's budget process, Base Rental Payments under the Facility Lease will be included in the Department's operating budget. The Department will furnish to the Authority and the State Treasurer copies of each such annual budget of the Department containing the appropriation to pay rent under the Facility Lease (and that portion of the budget of the State related to the Department) within 10 days after the annual budget of the Department has been submitted by the Governor to the State Legislature. The Governor's Office in consultation with the Department of Finance makes the final determination of all amounts to be included in the annual budget proposed by the Governor to the Legislature.

Under the State Constitution, money can be drawn from the State Treasury only through an appropriation made by law. An appropriation may be made to the Department in the Budget Act (as described in Appendix A) or in other legislation, each of which must be approved by the State Legislature and signed by the Governor. Appropriations are generally limited to a one-year period of availability. See Appendix A for additional information concerning the budget process.

California Government Code Section 15848 provides a continuing appropriation enabling any rental payment due from the Department under the Facility Lease to be made when due without further action by the Legislature, but only if the following requirements are satisfied: (a) the amount required by the Department to pay its Base Rental Payments when due (i) has not been included in the Budget Act for any fiscal year or (ii) is due during a period when the State is operating without funds appropriated by the Budget Act for such fiscal year and (b) the Department of Finance certifies that sufficient funds are available for the support of the Department for the Facility and the Facility is available for the use and occupancy of the Department.

The Authority observes that the foregoing statutory provisions for continuing appropriations have neither been implemented by the State in transactions of this type nor interpreted by any court and could be changed by the Legislature.

Reserve Fund

The Trust Agreement establishes the Reserve Fund for payment of the 1997 Certificates. The Reserve Fund will initially be funded from surplus funds derived from the reserve fund for the Series 1991 Certificates and from proceeds of the 1997 Certificates in the amount listed in the table entitled "ESTIMATED SOURCES AND USES OF FUNDS" herein, which is equal to the lowest of (1) a maximum annual 1997 Base Rental Payments payable under the Facility Lease in the then current or any future fiscal year, (2) one hundred twenty-five percent (125 %) of the average annual 1997 Base Rental Payments payable under the Facility Lease, or (3) ten percent (10%) of the original principal amount evidenced by the 1997 Certificates; provided that on and after March 1, 2013, in the event such calculation results in an amount which is less than one-half of the maximum annual 1997 Base Rental payable under the Facility Lease in the then current or any future fiscal year, the Series 1997 Reserve Fund Requirement shall be an amount equal to one-half of the maximum annual Series 1997 Base Rental payable under the Facility Lease in the then current or any future fiscal year (the "Reserve Fund Requirement"). The amount in the Reserve Fund is to be held for the account of the Department and used only for the payment of 1997 Base Rental Payments to the extent amounts otherwise provided by the Department are insufficient therefor. See the discussion in "APPENDIX C -- SUMMARY OF CERTAIN PROVISIONS OF LEGAL DOCUMENTS--The Trust Agreement-- Establishment of Funds and Accounts."

When none of the Series 1991 Certificates are outstanding, the Trustee shall transfer to the Reserve Fund from the reserve fund established pursuant to the 1991 Trust Agreement, an amount which, when added to the amount on deposit in the Reserve Fund on such date, will cause the amount on deposit in the Reserve Fund to equal the Reserve Fund Requirement on such date.

The obligation to fund the Reserve Fund may be satisfied through cash or a letter of credit, surety bond or insurance policy meeting the requirements therefor set forth in the Trust Agreement, or a combination thereof in an aggregate amount equal to the Reserve Fund Requirement. See "APPENDIX C -- SUMMARY OF CERTAIN PROVISIONS OF LEGAL DOCUMENTS."

ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds in connection with the 1997 Certificates (excluding accrued interest, which will be deposited to the Interest Fund) are as follows

| | |
|---|----------------------|
| Proceeds of 1997 Certificates | \$ |
| Amounts in reserve accounts for Series 1991 Certificates | _____ |
| Total Sources | \$ <u> </u> |
| Deposit to Escrow Fund | \$ |
| Deposit to Reserve Fund | |
| Costs of Delivery | |
| Underwriters' Discount | |
| Original Issue Discount | |
| Total Uses | \$ <u> </u> |

PLAN OF REFUNDING

The Board will apply a portion of the net proceeds of the sale of the 1997 Certificates together with other lawfully available funds, to establish an irrevocable escrow to defease the Refunded Series 1991 Certificates described below.

| <u>Certificate Payment Date</u> | <u>Amount</u> | <u>Interest Rate</u> |
|---------------------------------|---------------|----------------------|
| <u>March 1,</u> | \$ _____ | ____ % |

Upon the execution and delivery of the 1997 Certificates, a portion of the proceeds thereof, together with other lawfully available funds, will be applied to purchase direct obligations of the United States of America. These direct obligations will be deposited in an escrow fund or funds (the "1991 Escrow Fund") and held by the State Treasurer, as escrow agent (the "Escrow Agent") pursuant to an escrow agreement dated as of March 1, 1997 (the "Escrow Agreement"), between the Authority, the Department and the Escrow Agent. The Escrow Agent will apply the principal and interest on all such obligations, together with other moneys held by it as Escrow Agent, to prepay the Refunded Series 1991 Certificates on the dates specified in the Escrow Agreement (and as set forth above) and to pay all interest due with respect to the Refunded Series 1991 Certificates to the specified prepayment dates. The securities and monies held in the 1991 Escrow Fund will not secure the 1997 Certificates and will not pay 1997 Base Rental Payments.

The obligations of the United States of America so deposited with the Escrow Agent will bear interest at such rates and will be scheduled to mature at such times and in such amounts that, when paid in accordance with their terms, together with any other funds held in the 1991 Escrow Fund, sufficient moneys will be available to make full and timely payment of the principal and interest with respect to the Refunded Series 1991 Certificates to their specified prepayment dates and to pay the prepayment price of the principal amount which remains outstanding on such prepayment dates. For information on mathematical verification of the adequacy of such obligations and other funds held in the 1991 Escrow Fund to make such payments, see "VERIFICATION." Upon such irrevocable deposit with the Escrow Agent and execution of the Escrow Agreement, the Refunded Series 1991 Certificates will be defeased and will no longer be entitled to the benefits of the 1991 Trust Agreement.

BASE RENTAL PAYMENT SCHEDULE

The following is a schedule of the 1991A Base Rental Payments and the 1997 Base Rental Payments due under, and as defined in, the Facility Lease. Pursuant to the Facility Lease, the Department will be required to deposit the Base Rental Payments on or before the applicable due date.

| Due Date | <u>Series 1991A</u> | | <u>Series 1997A</u> | | Total |
|-------------|---------------------|----------|---------------------|----------|-------|
| | Principal | Interest | Principal | Interest | |
| 03/01/1998 | \$ | \$ | \$ | \$ | \$ |
| 09/01/1998 | | | | | |
| 03/01/1999 | | | | | |
| 09/01/1999 | | | | | |
| 03/01/2000 | | | | | |
| 09/01/2001 | | | | | |
| 03/01/2002 | | | | | |
| 09/01/2003 | | | | | |
| 03/01/2004 | | | | | |
| 09/01/2005 | | | | | |
| 03/01/2006 | | | | | |
| 09/01/2007 | | | | | |
| 03/01/2008 | | | | | |
| 09/01/2009 | | | | | |
| 03/01/2010 | | | | | |
| 09/01/2011 | | | | | |
| 03/01/2012 | | | | | |
| 09/01/2013 | | | | | |
| 03/01/2014 | | | | | |
| 09/01/2015 | | | | | |
| 03/01/2016 | | | | | |
| TOTAL | \$ | \$ | \$ | \$ | \$ |

THE FACILITY

The Facility is located on the entire block bounded by Grand Avenue, Webster Street, 22nd Street and Kaiser Plaza in Oakland, California and provides approximately 510,000 net square feet of office and support space rising in a steel and glass structure of 16 floors, including 4 garage levels and a basement level. The tower contains 415,000 net square feet of office space area.

The Facility is accented by a ten-floor atrium capped by a skylight atop the building. The Facility includes an extensive computer installation and accommodations for teleconferencing. The Facility also includes a Traffic Operations Center, Auditorium, Child Care Center and Cafeteria. Approximately 2,200 employees are housed in the building.

Ahmanson Commercial Development Company of Los Angeles, a subsidiary of Home Savings, was the developer, having won a two-stage RFP competition against seven other offerings in both Oakland and San Francisco.

The Department has had full continuous beneficial use and occupancy of the Facility since November 1, 1992.

THE AUTHORITY

The lessor of the Facility is the East Bay State Building Authority, a joint exercise of powers agency created by an agreement, dated as of December 1, 1989, as supplemented (the "IPA Agreement"), among the California Department of General Services, the California Department of Transportation, and the City of Oakland. The California Department of Transportation provides administrative staff to the Authority and was responsible for the design, acquisition and construction of the Facility on behalf of the Authority. Pursuant to the Assignment Agreement all rights of the Authority to receive Base Rental Payments from the Department pursuant to the Facility Lease, and other rights of the Authority have been assigned without recourse to the Trustee. Neither the 1997 Certificates nor the obligation of the Department to make Base Rental Payments under the Facility Lease represent or constitute a debt of the Department, the Department of General Services, the City of Oakland, the Authority or the State of California within the meaning of any constitutional or statutory limitation or a pledge of the faith and credit of any of them.

CALIFORNIA DEPARTMENT OF TRANSPORTATION

The Department of Transportation is one of the departments within the Business, Transportation and Housing Agency of the State. The Department designs, constructs and maintains a comprehensive transportation system of more than 15,200 miles of highways and freeways. The Department has broad responsibility for the planning, design, operation and maintenance of the State highway system. The Department is also responsible for various activities in overall transportation planning, mass transportation and aeronautics.

Transportation Planning

Under the transportation planning program, the Department is responsible for analyzing transportation policy issues, developing a systems plan for the effective integration of the various modes of transportation, coordinating development evaluation of regional plans and transportation improvement programs, promoting transportation system management measures that make more effective use of transportation facilities, and developing statewide transportation data.

Highway Transportation

Under the highway transportation program, the Department is responsible for developing, operating, rehabilitating and maintaining the State's highway system; making operational improvements to such system to increase safety and improve traffic flow; and expanding the capacity of such system through construction of new routes, completion of the interstate system, and construction of additional traffic lanes and interchanges on existing highways.

Mass Transportation

Under the mass transportation program, the Department is responsible for administering various state-funded programs for transit operators, Amtrak, the San Francisco peninsula commuter train; administering various federally funded programs for transit operators; providing technical assistance to transit operators; and supporting measures to integrate transit facilities with other modes of transportation wherever feasible.

Aeronautics

Under the aeronautics program, the Department is responsible for administering State-funded programs for aiding local governments in general aviation airport acquisition and development; conducting safety and permit inspections of general aviation airport facilities; developing the California Aviation System Plan; conducting general aviation safety education programs; and ensuring compliance with State's airport noise standards.

THE DEPARTMENT'S BUDGET

General

The Department's approved budget for the 1997-98 Fiscal Year is \$5.9 billion. The following Table I describes the primary programs of the Department and the sources of funds that finance the budget.

TABLE I
DEPARTMENT OF TRANSPORTATION
PRIMARY PROGRAMS AND BUDGET SOURCES
(In Thousands)

| Programs: | <u>1997-98</u> |
|---|---------------------------|
| Aeronautics | \$ 9,880 |
| Highway Transportation | 5,475,026 |
| Mass Transportation | 244,329 |
| Transportation Planning | 39,166 |
| Administration | 204,249 |
| State Mandated Local Program | <u>-0-</u> |
| TOTAL | <u>\$5,972,650</u> |
| Sources of Funds: | |
| General Fund | \$ -0- |
| Aeronautics Account | 6,719 |
| State Highway Account | 2,494,668 |
| Bicycle Lane Account | 470 |
| TP&D Account | 114,230 |
| Local Airport Loan Account | 2,850 |
| Seismic Safety Fund | -- |
| Environmental Enhancement | 10,000 |
| Rideshare Vanpool Fund | 50 |
| Passenger Rail Bond Account | -- |
| Petroleum Violation Account | -- |
| Federal Funds | 1,928,067 |
| Toll Bridge Fund | 160,282 |
| Reimbursements | 469,421 |
| Special Deposit Fund | -- |
| Seismic Retrofit Bond Act of 1996 | <u>785,893</u> |
| TOTAL | <u>\$5,972,650</u> |

Source: Department of Transportation.

TABLE II
DEPARTMENT OF TRANSPORTATION
STATE TRANSPORTATION FUND - STATE HIGHWAY ACCOUNT
STATEMENT OF FINANCIAL CONDITION AS OF JUNE 30, 1997

ASSETS

CASH:

| | | |
|------------------------------|-------------------|---------------|
| In State Treasury | \$ 861 | |
| In Agency Accounts | <u>17,907,810</u> | \$ 17,908,671 |

| | | |
|--|--|-------------|
| DEPOSITS IN SURPLUS MONEY INVESTMENT FUND: | | 883,501,000 |
|--|--|-------------|

RECEIVABLES:

| | | |
|--|---------------------|---------------|
| Reimbursements | 644,855,460 | |
| Revenues | 27,353,234 | |
| Others | 4,055,559 | |
| Due from Other Funds/Federal Govt | 520,174,007 | |
| Provision for Deferred Receivables | <u>(35,852,990)</u> | 1,160,585,270 |

PREPAID EXPENSES:

| | | |
|--------------------------------------|-------------------|---------------|
| Prepayments to Other Funds | 1,028,664,899 | |
| Expense Advances | 626,197 | |
| Other Prepaid Expenses | 747,342 | |
| Inventories | <u>47,754,685</u> | 1,077,793,123 |

LOANS:

| | | |
|------------------------------------|--|--------------|
| Loans Receivable - Other | | <u>9,260</u> |
|------------------------------------|--|--------------|

| | | |
|--------------------------------|--|----------------------|
| Total Current Assets | | <u>3,139,797,324</u> |
|--------------------------------|--|----------------------|

| | | |
|-------------------------|--|-------------------------------|
| TOTAL ASSETS: | | <u><u>\$3,139,797,324</u></u> |
|-------------------------|--|-------------------------------|

LIABILITIES, RESERVES, AND FUND BALANCE

CURRENT LIABILITIES:

| | | |
|---|-----------------|-----------------|
| Accounts Payable | \$1,633,780,440 | |
| Due to Other Funds/Appropriations | 293,102,404 | |
| Revenue Collected in Advance | 1,080,530 | |
| Deposits | 3,461,074 | |
| Project Deposits | <u>112,000</u> | \$1,931,536,448 |

RESERVES:

| | | |
|--------------------------------|-------------------|-------------|
| Reserve for Advances | 76,664,899 | |
| Reserves - Other | <u>47,763,946</u> | 124,428,845 |

| | | |
|--|--|----------------------|
| FUND BALANCE - Unappropriated: | | <u>1,083,832,031</u> |
|--|--|----------------------|

| | | |
|--|--|-------------------------------|
| TOTAL LIABILITIES, RESERVES, & FUND BALANCE: | | <u><u>\$3,139,797,324</u></u> |
|--|--|-------------------------------|

Source: Department of Transportation (Unaudited Financial Statement).

TABLE III
DEPARTMENT OF TRANSPORTATION
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
STATE TRANSPORTATION FUND - STATE HIGHWAY ACCOUNT
STATEMENT OF OPERATIONS
FOR YEAR ENDED JUNE 30, 1997

FUND BALANCE, JUNE 30, 1996: \$ 853,080,461

ADDITIONS:

| | | |
|---|---------------------|----------------------|
| Revenue | \$ 727,994,101 | |
| Reimbursements | 437,776,610 | |
| Transfers from Other Funds | 1,768,891,027 | |
| Refunds to Reversed Appropriation | 2,371,073 | |
| Loan Repayment | <u>74,460</u> | 2,937,107,271 |
| | | |
| Prior Year Adjustments: | | |
| Revenue | 613,842 | |
| Federal Funds | 0 | |
| Reimbursements | <u>(15,691,928)</u> | <u>(15,078,086)</u> |
| | | |
| TOTAL ADDITIONS: | | <u>2,922,029,184</u> |

DEDUCTIONS:

| | | |
|--|--------------------|----------------------|
| Appropriation Expenditures: | | |
| State Operations | 1,333,686,211 | |
| Local Assistance | 334,098,561 | |
| Capital Outlay | <u>563,397,145</u> | 2,231,181,916 |
| | | |
| Reimbursement Expenditures | 437,776,610 | |
| Operating Transfers Out | 77,586,624 | |
| Apportionment of Highway Prop Rental to Counties | 0 | |
| Expenditures for Other State Departments | <u>4,804,901</u> | 520,168,135 |
| | | |
| Prior Year Adjustments: | | |
| Appropriation Expenditures | (44,379,609) | |
| Federal Expenditures | 0 | |
| Reimbursements Expenditures | (15,691,928) | |
| Apportionment of Highway Prop Rental To Counties | <u>(899)</u> | <u>(60,072,437)</u> |
| | | |
| TOTAL DEDUCTIONS | | <u>2,691,277,615</u> |

FUND BALANCE, June 30, 1997 \$1,083,832,031

Source: Department of Transportation (Unaudited Financial Statement).
Totals may not add due to rounding.

TABLE IV
DEPARTMENT OF TRANSPORTATION
STATE TRANSPORTATION FUND - STATE HIGHWAY ACCOUNT
STATEMENT OF CHANGES IN GENERAL FIXED ASSETS FUND
AS OF JUNE 30, 1997

GENERAL FIXED ASSETS

| | <u>Balance</u> <u>July 1, 1996</u> | <u>Additions</u> | <u>Balance</u> <u>June 30, 1997</u> |
|--------------|---------------------------------------|-------------------------------|--|
| Land | \$107,902,804.99 | \$ 2,929,286.57 | \$110,832,091.56 |
| Buildings | \$274,905,985.24 | \$ 7,516,135.82 | \$282,422,121.06 |
| Equipment | <u>\$466,377,111.54</u> | <u>\$38,330,546.61</u> | <u>\$504,707,658.15</u> |
| Total | <u>\$849,185,901.77</u> | <u>\$48,775,969.00</u> | <u>\$897,961,870.77</u> |

Source: Department of Transportation (Unaudited Financial Statement).

1997-98 Budget Overview

The 1997-98 Budget includes total expenditures for the Department of more than \$5.9 billion.

The State imposes excise taxes on the distribution of gasoline, diesel, and all other fuels used to propel motor vehicles on the highways. The tax is collected when fuel is distributed to wholesale customers. The tax rate on motor vehicle fuel is eighteen cents per gallon. Of the current eighteen cents per gallon, the Department receives 11.54 cents per gallon and the cities and counties receive the remaining 6.46 cents per gallon.

Current procedures for staffing the Department include the development of staffing needs and securing facilities to house the required staff, through purchase or lease, by adjusting the base budget of the Department. The base budget is adjusted for these support costs before other programs and project costs are added to the budget. Project delivery is adjusted according to the availability of State and federal funds for right-of-way acquisition, project design and development, construction and research and development. Maintaining the existing transportation system is of highest priority, followed by improvements to increase the efficiency of the existing system and new construction that will expand the system to meet demands.

District 4 Budget

The Department is divided into twelve Transportation Districts, Statewide. Each District has its own District Director who reports to the Director of Transportation located in Sacramento. Each District coordinates with the cities and counties within its boundaries to assess transportation needs, develop transportation plans to meet these needs and design and deliver projects for planned improvements. The Districts also coordinate with local authorities to make existing facilities more efficient and solve emergency funding problems that arise, such as repair of storm damage and snow removal.

The Facility is located in District 4, which is the second largest of the State's twelve Transportation Districts. District 4 is located on California's central coast. It includes Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Santa Cruz and Sonoma Counties. District 4 receives approximately 25 % of the Department's support budget each year. Key programs executed by District 4, the largest subdivision of Caltrans, include management of \$1.5 billion of capital improvement contracts, maintenance and operation of 5,646 lane miles of highways and operation of seven toll bridges in the San Francisco Bay Area.

TAX MATTERS

In the opinion of the Honorable Daniel E. Lungren, Attorney General of the State of California, and Nossaman, Guthner, Knox & Elliott LLP, and Quateman & Zidell LLP, Co-Special Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, compliance with certain covenants, interest with respect to the 1997 Certificates is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code") and is exempt from State of California personal income taxes. The Attorney General and Co-Special Counsel are also of the opinion that interest with respect to the 1997 Certificates is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although such counsel observe that such interest is included in adjusted current earnings in calculating federal corporate alternative minimum taxable income. A complete copy of the proposed form of legal opinion for the 1997 Certificates is set forth in Appendix D.

The difference (if any) between the issue price of the 1997 Certificates maturing on _____ and the amount to be paid at maturity of such 1997 Certificates (excluding amounts stated to be interest and payable at least annually over the term of such 1997 Certificates) constitutes "original issue discount," the accrual of which, to the extent properly allocable to each owner thereof, is treated as interest with respect to the 1997 Certificates which is excluded from gross income for federal income tax purposes and State of California personal income taxes. For this purpose, the issue price of a particular maturity of the 1997 Certificates is the first price at which a substantial amount of such maturity of the 1997 Certificates is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the 1997 Certificates accrues daily over the term to maturity of such 1997 Certificates on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such 1997 Certificates to determine taxable gain or loss upon disposition (including sale, prepayment, or payment on maturity) of such 1997 Certificates. Owners of the 1997 Certificates should consult their own tax advisors with respect to the tax consequences of ownership of 1997 Certificates with original issue discount, including the treatment of purchasers who do not purchase such 1997 Certificates in the original offering to the public at the first price at which a substantial amount of such 1997 Certificates is sold to the public.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the 1997 Certificates. The State has covenanted to comply with certain restrictions designed to assure that interest with respect to the 1997 Certificates will not be included in federal gross

income. Failure to comply with these covenants may result in interest with respect to the 1997 Certificates being included in federal gross income, possibly from the date of execution and delivery of the 1997 Certificates. The opinion of the Attorney General and Co-Special Counsel assumes compliance with these covenants. Neither the Attorney General nor Co-Special Counsel has undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of execution and delivery of the 1997 Certificates may adversely affect the tax status of the interest with respect to the 1997 Certificates. Further, no assurance can be given that pending or future legislation or amendments to the Code, if enacted into law, or any proposed legislation or amendments to the Code, will not adversely affect the value of, or the tax status of interest with respect to, the 1997 Certificates. Prospective Owners are urged to consult their own tax advisors with respect to proposals to restructure the federal income tax.

Although the Attorney General and Co-Special Counsel have rendered an opinion that interest with respect to the 1997 Certificates is excluded from gross income for federal income tax purposes and is exempt from California personal income taxes, the ownership or disposition of, or the accrual or receipt of interest with respect to, the 1997 Certificates may otherwise affect a Certificateholder's federal or state tax liability. The nature and extent of these other tax consequences will depend upon the particular tax status of the Certificateholder or the Certificateholder's other items of income or deduction. The Attorney General and Co-Special Counsel express no opinion regarding any such other tax consequences.

LITIGATION

There is not now pending or known to be threatened any litigation seeking to restrain or enjoin the sale, execution or delivery of the 1997 Certificates or in any manner questioning or affecting the legality of the 1997 Certificates or any proceedings of the State taken with respect to the foregoing.

While at any given time, including the present, there are numerous civil actions pending against the State (including, but not limited to, those discussed in Appendix A), which could, if determined adversely to the State, affect the State's expenditures and, in some cases, its revenues, the Attorney General of the State is of the opinion that no pending actions are likely to have a material adverse effect on the State's ability to pay principal, premium, if any, and interest with respect to the 1997 Certificates when due. See APPENDIX A--"THE STATE OF CALIFORNIA--Litigation."

VERIFICATION

Upon delivery of the 1997 Certificates, Causey, Demgen & Moore Inc. will verify from the information provided to them the mathematical accuracy as of the date of the closing on the 1997 Certificates of (1) the computations contained in the provided schedules to determine that the anticipated receipts from the securities and cash deposits listed in the Underwriters' schedules, to be held in escrow, will be sufficient to pay, when due, the principal, prepayment premiums and interest with respect to the Refunded Series 1991 Certificates, and (2) the computations of yield on both the securities and the 1997 Certificates contained in the provided

schedules used by the Attorney General and Co-Special Counsel in their determination that the interest on the 1997 Certificates is excluded from gross income for federal tax purposes. Causey, Demgen & Moore Inc. will express no opinion on the assumptions provided to them, nor as to the exemption from taxation of the interest on the 1997 Certificates. See "TAX MATTERS" herein.

UNDERWRITING

The 1997 Certificates are being purchased by PaineWebber Incorporated, Goldman Sachs & Co., Union Bank of California, N.A. and Great Pacific Securities, Inc. (the "Underwriters"). The Underwriters have agreed to purchase the 1997 Certificates at a purchase price equal to \$ _____ (which represents the principal amount with respect to the 1997 Certificates, less an original issue discount, and less an underwriters' discount) plus accrued interest. The purchase contract pursuant to which the 1997 Certificates are being sold provides that the Underwriters will purchase all of the 1997 Certificates if any such 1997 Certificates are purchased, the obligation to make such purchases being subject to certain terms and conditions set forth in such purchase contract, the approval of certain legal matters by counsel and certain other conditions.

The Underwriters may offer and sell the 1997 Certificates to certain dealers and others at a price lower than the offering price stated on the inside cover page hereof. The offering price may be changed from time to time by the Underwriters.

RATINGS

The 1997 Certificates have received the ratings of ____ by Moody's Investors Service, __ by Standard & Poor's Ratings Group and __ by Fitch Investors Service, Inc. An explanation of the significance and status of such credit ratings may be obtained from the rating agencies furnishing the same. There is no assurance that such ratings will continue for any given period of time or that they will not be revised or withdrawn entirely by any such rating agencies, if in their respective judgments, circumstances so warrant. A revision or withdrawal of any such credit rating could have an effect on the market price of the 1997 Certificates.

FINANCIAL STATEMENTS

Included in Exhibit 1 to Appendix A attached hereto are the General Purpose Financial Statements of the State for the fiscal year ended June 30, 1996. These statements have been examined by the State Auditor to the extent indicated in his report appearing in Appendix A. Certain unaudited financial information appears in Appendix A, including Exhibit 2.

MISCELLANEOUS

References made herein to certain documents and reports are brief summaries thereof which do not purport to be complete or definitive and reference is made to such documents and reports for full and complete statements of the contents thereof.

TREASURER OF THE STATE OF CALIFORNIA

By: _____
State Treasurer

DEPARTMENT OF TRANSPORTATION OF THE STATE OF CALIFORNIA

By: _____
Director

EAST BAY STATE BUILDING AUTHORITY

By: _____
President